

## U.S. Department of the Treasury Proposes New, Low-cost Account for Receiving Federal Benefits

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Managing money was easier in the old days. Stuff it in a mattress, a cookie jar, or a piggy bank. Use cash to pay bills and buy products and services.

Today, computer transactions, electronic transfers, and ATM cards are popular methods of handling ordinary, daily transactions ranging from grocery shopping to buying and selling stocks.

The benefits of "electronic" banking — and Direct Deposit in particular — include convenience, immediate access to deposits and personal safety. People no longer need to make trips to the bank or grocery store to cash a check, wait for checks to clear, or carry large amounts of cash.

According to a recent Federal Reserve Consumer Finances survey, approximately 12 million households do not have an account at a financial institution. The survey found that many people see such accounts as a luxury, because they don't have enough income or believe the cost of maintaining an account is too high. But low-cost accounts can be a good option for today's cash consumer.

Even individuals whose only income is a government check may well benefit from having an account at a Federally insured bank, savings and loan, or credit union. In fact, a recent law encourages Federal payment recipients to choose Direct Deposit into an account for Social Security, Supplemental Security Income, veterans benefits, and Federal salary and retirement payments.

To encourage Federal check recipients to consider an account at a financial institution and use Direct Deposit, the Department of the Treasury recently announced plans for an easy and affordable option — the Electronic Transfer Account (ETA<sup>SM</sup>). Although the final attributes of the new ETA<sup>SM</sup> are still under discussion, the Treasury Department expects the ETA<sup>SM</sup> to be offered this summer through participating Federally insured financial institutions, including banks, savings and loans, and credit unions. The account will provide the full range of consumer protections.

As it is now proposed, the ETA<sup>SM</sup> will be available to any individual who receives a Federal benefit, wage, salary or retirement payment. The ETA<sup>SM</sup> will be subject to a maximum price of \$3.00 per month; provide for a minimum of four cash withdrawals per month, to be included in the monthly fee; and require no minimum balance, except as required by Federal or State law.

"We want Federal payment recipients to be able to benefit from the advantages of electronic banking, even if their government check is their only source of income," said Donald V. Hammond, Treasury's Fiscal Assistant Secretary. "With the safety and convenience of Direct Deposit, recipients will be assured their Federal payments are deposited and available on the same day they are paid."

Many financial institutions already offer low-cost accounts similar to the ETA<sup>SM</sup>. Treasury encourages recipients to explore these and other ways to receive their Federal payments electronically.

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